

**Public Employees' Retirement Board
Employee Investment Advisory Council**

100 North Park Avenue, Room 201

Helena MT 59601

MINUTES

Thursday, January 16, 2014

1:00 pm – 4:00 pm

Call to Order:

Ms. Patricia Davis called the meeting to order at 1:00 p.m.

EIAC/Board Roll Call

Council Members in Attendance:

Patricia Davis, Tom Schneider, Barbara Wagner, Paul Spengler, James Helgeson, Amy Berry, Ed Dawes, Rande Muffick, Jim Penner, Diane Fladmo, Randy Morris

MPERB Members in Attendance: Sheena Wilson

Members of the Public:

Perry Christie- Great West

Michael Schlachter – Wilshire Associates

Connie Welsh – MUS-OCHE

Shauntil Siaperas – Mt. Association of Counties

Melanie Symons- MPERA

Roxanne Minnehan-MPERA

Public/Member Comment on any subject of interest to the EIAC/Board not on the agenda
There was no public comment.

Approval of EIAC Meeting Minutes – July 17, 2013

Motion: Tom Schneider made motion to approve the July 17, 2013 minutes.

Second: Diane Fladmo

No public comment

Vote: Passed (11/0)

IV. Fund Performance Review – Michael Schlachter, CFA, Wilshire Associates

A. Numbers in Context

Michael Schlachter provided information on the current state of the economy as reported in the

numbers in context presentation.

Mr. Schlachter stated he is not a fan of indexing fixed income in 401A and prefers the active fixed income. Mr. Spengler asked who he recommended in the way of managers. Mr. Schlachter mentioned Western Asset, Black Rock and Wellington. Ms. Wagoner wanted clarification on how Mr. Schlachter's theory of performance would work for active managed mutual funds vs. the Vanguard indexed Mutual fund and Mr. Schlachter gave examples using odds. He said this would replace Vanguard Index Fund and since there was interest, he would provide candidates at next meeting and the changes could be in place within 6 months.

Motion: Paul Spengler made motion to approve bringing in active manager candidates to replace the Vanguard Index Fund

Second: Diane Fladmo

No public comment

Vote: Passed (11/0)

A. 457(b)

Market Returns strong, stocks up 33% for 2013. Non-US Equity strong returns for past year, only place where returns were weak was Emerging Markets. Neuberger Berman Genesis Fund put on probation two quarters ago. Columbia Fund currently in the process of being replaced. Everything else is currently marked for ongoing retention. Asset growth is steadily going up. Neuberger High Income Bond is meeting our criteria but performance a little behind benchmark, may want to watch. Calvert Fund underperformed. Michael stated that there are other funds out there that could be selected that score high but are not necessarily "socially responsible". Mr. Muffick asked if there was a better peer group to choose from that may do better. Mr. Schlachter said there could check into that. Ms. Wagoner thinks we should put them on probation.

Motion: Barb Wagoner made the motion to place the Calvert Fund on probation for one year.

Second: Tom Schneider

Comments; Mr. Schneider said that he becomes nervous when we go outside our policies. There was discussion about needing more information of what is out there before putting on probation.

Vote: Fails (9/2)

Motion: Ms. Davis made the motion to have Michael bring back more information on socially responsible funds.

Second: James Helgeson

Comments; (none)

Vote: Passes (10/1)

Reviewing Munder Mid Cap, Mr. Schlachter noted it had good performance in past years, and looking at the index, Mr. Schlachter seems to have some concerns on this one. It seems to go back and forth referencing page 7.

Motion: Mr. Spengler made the motion to have Munder Mid-Cap put on probation

Second: Ms. Fladmo
Comments; (none)

Vote: Passes (9/2)

B. 401(a)

Mr. Schlachter said all non-U.S market doing great. The fund overview has everyone on retention. He stated that everything has been consistent. Values keep climbing. The index fund is a few basis points behind (pg 5) he pointed out the 2 star rating and doing replacement. Mr. Schneider questioned why we wouldn't first put it on probation.

Motion: Mr. Schneider made the motion to have Index fund on probation

Second: Mr. Helgeson seconds
Comments; (none)

Vote: Passes (11/0)

Mr. Schlachter also recommended if you were doing that fund that you also should put the Munder fund on probation.

Motion: Mr. Spengler made the motion to have the Munder fund on probation

Second: Ms. Fladmo seconds
Comments; (none)

Vote: Passes (9/2)

Barb Wagoner departs

V. EIAC Vacancy Positions; There are two vacancies- Ms. Davis has recommendation; Ron Alles from City of Helena, has a police officer who is interested for local government. Ms. Davis is also going to check on a woman from East Helena who was on school board.

Stable Value Update- Ms. Davis asked if there were questions about the change in the structure. She mentioned she did have one person who contacted her that was concerned and moved his money because of the change in the structure. Rande Muffick asked if she had seen any people moving from Stable to Equities. Ms. Davis said we do receive report from Great West and if we had staff time to analyze that report we would know. It continues to be an issue that will need to be monitored in the next 2 years.

VI. Record Keeper RFP - Ms. Davis thanked Amy Berry for her participation on the Recordkeeper RFP. Great West was awarded the RFP. Mr. Schneider asked if the board signs the contract. Ms. Davis responded yes.

VII. Investment Consultant RFP - Ms. Davis reported that the RFP is in draft stages right now. We are going to re-structure the committee that reviews the RFP to add another board member. That means that RFP won't be released until the end of February.

Reviewing Goals - Ms. Davis reminded the group that it was decided last fall that brokerage accounts were not something we were interested in. We continue to have discussions on the addition of guaranteed income withdrawal advice services. GW agreed to provide education to the committee on advice services. Diane wondered about a demographic on the returns, and Perry said they could provide the average return over the last year, he would look into that. Ms. Fladmo had concerns about members being in the right classification and Ms. Davis said we will work on that in education with HR.

4:00 p.m. PROJECTED ADJOURNMENT

The motion was moved and seconded to adjourn the meeting. Ms. Davis adjourned at approximately 3:37

Next meeting: April 17, 2014